

# **VETERANS ORGANIZATION RAFFLE SALES TAX EXEMPTION**

## **Prior Law**

Iowa Code section 423.3(78) provides a sales tax exemption for the sales price of tangible personal property and services sold by any entity, if the profits from the sale are used by or donated to a nonprofit entity, a government entity, or a nonprofit private educational institution, and the proceeds are used by one of those entities for an educational, charitable, or religious purpose. However, Iowa Code section 423.3(78)(c) states that the sales price of games of skill, games of chance, raffles and bingo games are not exempt from sales tax, even if the proceeds are used by a qualified entity for a charitable, religious, or educational purpose.

## **New Provisions**

A new subsection of 423.3 exempts from sales tax the sales price of raffles, if the raffle proceeds are used to provide educational scholarships by a qualifying organization representing veterans.

The raffle must meet the definition of a “raffle” found in section 99B.1. To do so, the raffle must be a lottery in which each participant buys a ticket for a chance to win a prize, the winner is determined by a random method, and the winner is not required to be present to win. To be a “qualifying organization representing veterans,” the organization must meet the requirements of 99B.7B. That is, the group must: be licensed, federally chartered, exempt from federal income tax under 501(c)(19), represent veterans of the United States armed forces, have an active membership of not less than twelve members, and not have a self-perpetuating government body and officers. The group must dedicate the net receipts of its raffles in compliance with section 99B.7.

Subsection 423.3(78)(c) was also amended to provide an exception for new subsection in 423.3 from the general rule that games of skill, chance, raffles, and bingo are subject to sales tax regardless of the use of proceeds.

## **Sections Amended**

Section 2 of 2012 Iowa Acts House File 2466 amends Code section 423.3, subsection 78, paragraph c, Code Supplement 2011. Section 3 amends Code section 423.3 by adding a new subsection.

## **Effective Date**

Applies retroactively to January 1, 2012, for tax years beginning on or after that date.